



The North West Company is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean.

NEWS RELEASE - FOR IMMEDIATE RELEASE

The North West Company Inc. Announces Fourth Quarter Earnings, a Quarterly Dividend and Chairman Transition

Winnipeg, Manitoba, April 13, 2022 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today announced its unaudited financial results for the fourth quarter ended January 31, 2022 and released its 2021 Annual Report and Annual Information Form. The Annual Report includes the Company's Annual Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended January 31, 2022. These documents are available on the Company's profile on the SEDAR website at www.sedar.com and on the Company's website at www.northwest.ca. It also announced that the Board of Directors have declared a dividend of \$0.37 per share to be paid on April 28, 2022 to shareholders of record on April 21, 2022.

CEO Comments on Fourth Quarter Results and Annual Results

"Our results in 2021 were rooted in a pandemic response focused on the health and safety of our customers and employees, procurement and distribution of essential items and a strong community focus" commented President and CEO Dan McConnell. "Strong execution and alignment throughout the organization were key factors in achieving the financial results in the fourth quarter and for the year. As we enter 2022, we face ongoing COVID-19 uncertainties, world-wide supply chain constraints, inflationary pressures and lower consumer income support in our markets. These factors are expected to result in lower earnings in 2022 compared to 2021 but meaningfully above pre-pandemic (2019) levels. Beyond these challenges we will continue to strengthen our core retail business with a "Customer Driven" focus, improving in-store execution, assortment, and product flow through leveraging our logistics capabilities and pursuing growth through new markets, channels, products and services."

Fourth Quarter and Annual Results

The following table provides a summary of selected information for the fourth quarter and annual results. Further information on the fourth quarter and annual financial performance is provided in the 2021 Annual Report available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Selected Fourth Quarter⁽³⁾ and Annual Information

	Three Months Ended January 31, 2022	Three Months Ended January 31, 2021	Twelve Months Ended January 31, 2022	Twelve Months Ended January 31, 2021
(\$ in thousands, except per share)				
Sales	\$ 579,019	\$ 565,191	\$ 2,248,796	\$ 2,359,239
Same store sales % increase/(decrease) ⁽²⁾	0.1 %	16.8 %	(0.4)%	19.0 %
Gross profit	\$ 184,714	\$ 187,873	\$ 737,751	\$ 774,553
Selling, operating and administrative expenses	(135,126)	(138,759)	(517,326)	(565,204)
EBITDA ⁽¹⁾	72,964	71,410	311,375	301,427
EBIT	49,588	49,114	220,425	209,349
Interest expense	(3,170)	(3,448)	(13,058)	(16,808)
Income taxes	(10,810)	(12,834)	(49,916)	(48,981)
Net earnings	35,608	32,832	157,451	143,560
Net earnings attributable to shareholders of the Company	34,581	32,060	154,802	139,874
Net earnings per share - basic	0.72	0.66	3.21	2.87
Net earnings per share - diluted	0.71	0.63	3.16	2.82
Cash flow from operating activities	84,704	106,660	224,135	338,718
Cash flow used in investing activities	(15,142)	(11,904)	(75,861)	(66,900)
Cash flow used in financing activities	(77,935)	(81,765)	(170,196)	(227,060)
Cash dividends per share	\$ 0.37	\$ 0.36	\$ 1.46	\$ 1.38

(1) See Non-GAAP Financial Measures section below.

(2) All references to same store sales exclude the foreign exchange impact.

(3) Unaudited interim financial information.

Annual Highlights

- Net earnings increased \$13.9 million or 9.7% and were up 82.5% compared to 2019.
- Earnings from Operations ("EBIT") increased 5.3% and were up 69.1% compared to 2019.
- EBITDA⁽¹⁾ increased 3.3% on top of a 37.3% increase in 2020.
- Same store sales⁽²⁾ were marginally lower by 0.4% compared to a 19.0% increase in same store sales last year.
- Six new stores were opened, three in Canada and three in International Operations.
- Alaska Commercial Company delivered 3.3 million pounds of produce, dairy and meat to 115 communities in Alaska in connection with the Farmers to Families Food Box Program.
- Return on equity⁽¹⁾ was 29.0% and has averaged 22.7% over the past 10 years.
- Return on net assets⁽¹⁾ improved to 23.8% compared to 22.4% in 2020.
- Debt-to-Equity decreased to 0.41 compared to 0.56 at January 31, 2021.
- Quarterly dividends increased \$0.01 per share or 2.8% to \$0.37 per share.
- The Company purchased 807,037 shares under a normal course issuer bid.

Fourth Quarter Results

Consolidated Fourth Quarter Sales Sales for the quarter increased 2.4% to \$579.0 million led by same store sales gains in International Operations and the impact of new store sales. These gains were partially offset by the negative impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 2.9%. Same store sales were up 0.1%⁽²⁾ on top of a 16.8% increase in the fourth quarter last year and were up 17.1% compared to 2019. Food sales⁽²⁾ increased 3.0% and were up 2.6% on a same store basis compared to last year and increased 15.0% compared to 2019. General merchandise sales⁽²⁾ decreased 6.3% and were down 9.2% on a same store basis coming off of a 39.8% COVID-19-related same store sales gain last year, but were up 27.3% compared to 2019. Sales continued to be impacted by COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, higher cost inflation and increases in government income support payments to individuals in the U.S. compared to last year. These factors were partially offset by restricted hours and store closures in certain markets with higher outbreaks of COVID-19 and lower government income support payments to individuals in Canada compared to last year.

Gross Profit Gross profit decreased 1.7% as the impact of sales gains was more than offset by a 134 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was primarily due to changes in product sales blend, higher inventory shrinkage and markdowns compared to strong sell-through-driven lower shrink and markdowns last year as well as the impact of cost inflation that was not fully passed through in retail prices.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased \$3.6 million compared to last year and were down 121 basis points as a percentage to sales. The decrease in Expenses is largely due to a \$9.5 million insurance-related gain this year compared to a \$5.3 million gain last year, lower annual incentive plan costs and the impact of foreign exchange on the translation of International Operations Expenses. These factors were partially offset by expenses related to new stores and higher share-based compensation costs compared to last year. COVID-19-related expenses were \$5.6 million compared to \$5.8 million last year and included \$4.1 million in special payments to non-bonus eligible front-line associates in recognition of their contributions to serving our customers. Excluding the insurance gains and share-based compensation costs, Expenses decreased 0.1% compared to last year.

Earnings from operations and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and taxes ("EBIT") increased \$0.5 million to \$49.6 million compared to \$49.1 million last year and EBITDA⁽¹⁾ increased \$1.6 million to \$73.0 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes share-based compensation costs and insurance-related gains, decreased \$1.9 million compared to last year and as a percentage to sales was 11.6% compared to 12.2%.

Interest Expense Interest expense decreased 8.1% to \$3.2 million compared to \$3.4 million last year mainly due to lower average debt levels.

Income Tax Expense Income tax expense was \$10.8 million compared to \$12.8 million last year and the consolidated effective tax rate was 23.3% compared to 28.1% last year. The decrease in the income tax rate was primarily due to lower Global Intangible Low-Taxed Income ("GILTI") tax and the blend of earnings in International Operations across various tax rate jurisdictions.

Net Earnings Consolidated net earnings increased \$2.8 million to \$35.6 million. Net earnings attributable to shareholders were \$34.6 million and diluted earnings per share were \$0.71 per share compared to \$0.63 per share last year due to the factors noted above. Adjusted net earnings⁽¹⁾, which excludes the impact of the after-tax insurance-related gains and the after-tax share-based compensation costs, increased \$1.9 million or 6.1% compared to last year driven by earnings gains in International Operations, lower interest costs and the impact of a lower effective tax rate as previously noted.

Annual Results

Consolidated Sales Sales for the year ended January 31, 2022 ("2021") decreased 4.7% to \$2.249 billion compared to \$2.359 billion for the year ended January 31, 2021 ("2020"), but were up 7.4% compared to \$2.094 billion for the year ended January 31, 2020 ("2019"). The decrease in sales compared to 2020 was largely due to lower sales in Giant Tiger stores resulting from the sale and closure of most of the Company's Giant Tiger stores last year net of the impact of wholesale food sales to the sold Giant Tiger stores in connection with the Giant Tiger Transaction and the impact of foreign exchange on the translation of International Operations sales.

Gross Profit Gross profit decreased 4.8% to \$737.8 million compared to \$774.6 million last year due to lower sales as the gross profit rate was only down 2 basis points compared to last year.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of \$517.3 million decreased \$47.9 million or 8.5% compared to last year and were down 96 basis points as a percentage of sales. The decrease in Expenses is largely due to lower store expenses related to the Giant Tiger Transaction, a decrease in COVID-19-related expenses, lower annual incentive plan costs and the impact of foreign exchange on the translation of International Operations Expenses. The impact of Non-Comparable Factors, which includes a \$10.6 million decrease in share-based compensation costs due to mark-to-market adjustments, a \$12.8 million increase in insurance-related gains this year, and a \$9.4 million Giant Tiger store closure provision and a \$24.7 million gain related to the Giant Tiger Transaction last year, were also factors. Excluding the Non-Comparable Factors, Expenses decreased \$39.7 million or 7.1% due to the factors previously noted.

Earnings from Operations (EBIT) and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and income taxes ("EBIT") increased 5.3% to \$220.4 million compared to \$209.3 million last year and were up \$90.1 million or 69.1% compared to 2019 due to the sales, gross profit and Expense factors previously noted. Earnings before interest, income taxes, depreciation and amortization ("EBITDA⁽¹⁾") increased 3.3% to \$311.4 million compared to \$301.4 million last year and was up \$91.8 million or 41.8% compared to 2019. Adjusted EBITDA⁽¹⁾, which excludes the impact of the previously noted Non-Comparable Factors, increased \$1.8 million or 0.6% on top of the exceptional COVID-19-related earnings gains last year and was up \$100.2 million or 48.9% compared to 2019 driven by earnings gains in both Canadian and International Operations.

Interest Expense Interest expense decreased 22.3% to \$13.1 million compared to \$16.8 million last year due to lower average debt levels partially offset by higher interest rates.

Income Tax Expense Income taxes increased to \$49.9 million compared to \$49.0 million last year and the effective tax rate for the year was 24.1% compared to 25.4% last year. The increase in income tax expense is due to higher earnings partially offset by a lower effective tax rate. The decrease in the effective income tax rate is primarily due to the change in the amount of non-deductible share-based compensation costs in Canadian Operations compared to last year, a decrease in the GILTI tax and the blend of earnings in International Operations across various tax rate jurisdictions.

Net Earnings Consolidated net earnings increased 9.7% to \$157.5 million compared to \$143.6 million last year and were up 82.5% or \$71.2 million compared to 2019. Net earnings attributable to shareholders of the Company were \$154.8 million compared to \$139.9 million last year and diluted earnings per share were \$3.16 per share compared to \$2.82 per share last year due to the factors previously noted. Excluding the impact of the previously noted Non-Comparable Factors, adjusted net earnings¹ increased \$8.6 million or 5.9% compared to last year and were up \$78.0 million or 103.5% compared to 2019.

Chairman Transition

This year Sandy Riley will retire as Chairman from the Board of Directors following the Company's Annual General Meeting on June 8, 2022. Mr. Riley was first elected as a Director in 2003 and has been Chairman since 2008. "Mr. Riley is a highly-regarded business leader who has served on many Boards and we have been fortunate to benefit from his knowledge and experience on our Board over the past 19 years. I would like to thank Sandy for his leadership and commitment to North West" commented President and CEO, Dan McConnell. Mr. Riley will be succeeded by Brock Bulbuck subject to his re-election at that meeting. Mr. Bulbuck has been a Director of North West since 2018 and most recently served as Executive Chairman of Boyd Group Services Inc. and was its Chief Executive Officer from 2010 to 2019. "I'm delighted that Brock Bulbuck has agreed to assume the role of Chairman" commented Mr. Riley. "Brock's leadership will complement an experienced team of Directors that will work closely with the senior management team in the years ahead."

Non-GAAP Financial Measures

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA and Adjusted Net Earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

Reconciliation of Consolidated Net Earnings to EBITDA and Adjusted EBITDA

(\$ in thousands)	Consolidated					
	Fourth Quarter			Year-to-date		
	2021	2020	2019	2021	2020	2019
EBIT	\$ 49,588	\$ 49,114	\$ 26,734	\$ 220,425	\$ 209,349	\$ 130,353
Add:						
Amortization	23,376	22,296	23,699	90,950	92,078	89,222
EBITDA	\$ 72,964	\$ 71,410	\$ 50,433	\$ 311,375	\$ 301,427	\$ 219,575
Gain on insurance settlement	(9,492)	(5,306)	(3,205)	(18,124)	(5,306)	(18,170)
Share-based compensation expense	3,615	2,871	190	11,854	22,495	3,550
stores	—	—	—	—	(24,712)	—
Giant Tiger asset impairment and store closure provision	—	—	—	—	9,411	—
Adjusted EBITDA	\$ 67,087	\$ 68,975	\$ 47,418	\$ 305,105	\$ 303,315	\$ 204,955

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Fourth Quarter			Year-to-Date		
	2021	2020	2019	2021	2020	2019
Net earnings	\$ 35,608	\$ 32,832	\$ 17,263	\$ 157,451	\$ 143,560	\$ 86,273
Gain on insurance settlement, net of tax	(6,152)	(4,460)	(2,340)	(13,275)	(4,460)	(13,887)
Share-based compensation expense, net of tax	2,875	2,106	305	9,234	18,855	2,991
Gain on disposition of Giant Tiger stores, net of tax	—	—	—	—	(19,991)	—
Giant Tiger asset impairment and store closure provision, net of tax	—	—	—	—	6,874	—
Adjusted Net Earnings	\$ 32,331	\$ 30,478	\$ 15,228	\$ 153,410	\$ 144,838	\$ 75,377

The Company recorded gains on insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value and also for the recovery of business interruption losses on certain insurance claims.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses.

(2) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the consolidated financial statements as at January 31 for the following fiscal years:

(\$ in millions)	2021	2020	2019
Total assets	\$ 1,219.3	\$ 1,191.2	\$ 1,215.5
Less: Total liabilities	(639.1)	(685.9)	(788.6)
Add: Total debt and lease liabilities	349.7	402.0	550.1
Net Assets Employed	\$ 929.9	\$ 907.3	\$ 977.0

(3) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

Additional information regarding the financial performance of North West can be found within the 2021 Annual Report, Annual Audited Financial Statements and the Annual Information Form available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on April 13, 2022 at 2:00 p.m. (Central Time). To access the call, please dial 416-641-6104 or 800-952-5114 with a pass code of 3868168. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 8255528 on or before May 14, 2022.

Notice to Readers

Certain forward-looking statements are made in this news release, within the meaning of applicable securities laws. These statements reflect North West's current expectations and are based on information currently available to management. The words may, will, should, believe, expect, plan, anticipate, intend, estimate, predict, potential, continue, or the negative of these terms, identify forward-looking matters. These statements speak only as of the date of this press release. The actual results could differ materially from those anticipated in these forward-looking statements.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance, capital expenditures or achievements of North West to differ materially from anticipated future results, performance, capital expenditures or achievement expressed or implied by such forward-looking statements, including the Company's intentions regarding a normal course issuer bid and the anticipated duration and impact of the COVID-19 pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of cost savings from cost reduction plans and possible future action by the Company. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, changes in inflation, interest and foreign exchange rates, the Company's ability to maintain an effective supply chain, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete and realize benefits from capital projects, E-Commerce investments, strategic transactions and the integration of acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations, or unanticipated results from these initiatives and the Company's success in anticipating and managing the foregoing risks and those risks and uncertainties detailed in the section entitled Risk Factors in North West's Management's Discussion and Analysis and Annual Information Form, both for the year-ended January 31, 2022. The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. North West undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Company Profile

The North West Company Inc., through its subsidiaries, is a leading retailer of food and everyday products and services to rural and developing small population communities in northern Canada, rural Alaska, the South Pacific and the Caribbean. North West operates 216 stores under the trading names Northern, NorthMart, Giant Tiger, Alaska Commercial Company, Cost-U-Less and RiteWay Food Markets and has annualized sales of approximately CDN\$2.2 billion.

The common shares of North West trade on the Toronto Stock Exchange under the symbol NWC.

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